

UKNF

URZĄD
KOMISJI
NADZORU
FINANSOWEGO

**Enforcement of compliance with information requirements
for security issuers in 2022**

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Purpose of the report

This report provides information on the enforcement of information requirements for security issuers in connection with their participation in trading in the capital market.

The report is prepared for users of regulated information, issuers and statutory auditors, to contribute to the correct and consistent application of relevant reporting requirements laid down in legislation. High-quality, complete and accurate information is a crucial factor that drives the investors' decision-making process and builds investor confidence in the market and the listed securities. Improper performance of information disclosure obligations of issuers results, in turn, in a lack of universal and equal access to complete and accurate information, which is essential for proper operation of market mechanisms.

1 Introduction

The tasks of Komisja Nadzoru Finansowego (KNF) include supervising the fulfilment by the supervised entities referred to in Article 5 point 7 of the Act on capital market supervision¹ of the information disclosure obligations relating to their participation in trading in the capital market, to the extent specified in the legislation – in accordance with Article 7(1) point 2 of the said Act.

The supervision exercised by the KNF in the area of information requirements covers financial statements (in particular compliance with IFRSs²), management or directors' reports, and non-financial information. The KNF also exercises direct supervision

of inside information of the issuers whose securities are admitted to trading on a regulated market and indirect supervision in relation to the issuers whose securities are admitted to trading on an alternative trading system – ATS³).

Parts two to five of this report provide information on enforcement actions undertaken by Urząd Komisji Nadzoru Finansowego (UKNF) in 2022 in relation to specific areas of supervision, i.e. financial reporting, timeliness and completeness of periodic reports, non-financial information, and inside information.

¹ Act of 29 July 2005 on capital market supervision (consolidated text: Journal of Laws 2023, item 188).

² International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission Regulations.

³ The direct enforcement of information requirements of issuers operating in an ATS is exercised by companies operating a regulated market which organise the ATS (Warsaw Stock Exchange and BondSpot) – the scope of the KNF supervision is indicated in Part 5 of this report.

2 Review of financial statements and enforcement actions

Enforcement of financial reporting of issuers whose securities are admitted to trading on a regulated market other than investment funds is based on a review of selected financial statements of the issuers for compliance

with the applicable financial reporting regulations. Such enforcement uses selection of issuers based on a combination of a risk-based approach, rotation and/or random sampling.

Selecting financial statements for review and type of review

In 2022, the selection for the purpose of the (full, focused or follow-up) examination of compliance with the applicable financial reporting regulations included, in particular, financial statements of issuers⁴:

- with regard to which information had been obtained which gave reasonable grounds for suspecting irregularities in the statements,
- for whom an auditor had issued an audit report containing a modified opinion or a review report containing a modified conclusion,
- for whom circumstances had occurred that may suggest a worsening of their financial position,
- with significant positions or significant changes in the value of those positions in the financial statements,
- to whom recommendations had been issued,
- selected randomly.

⁴ This refers to security issuers other than closed-end investment funds, admitted to trading on a regulated market.

Table 1. Number of issuers whose financial statements were subject to a periodic review in 2020–2022

Year	Number of regulated-market issuers (Warsaw Stock Exchange ⁵ and Bond-Spot ⁶)* at year-end	Number of issuers whose financial statements were subject to review*	Share in the total number of regulated-market issuers
2020	425	59	13.9%
2021	435	56	12.9%
2022	426	56	13.1%

* Excluding closed-end investment funds and issuers for whom the Republic of Poland is a host state.

Source: UKNF

An important criterion for the selection of financial statement for the review are, as in previous years, modifications of opinions on the audit or conclusions from the review of financial statements, due to possible infringement of applicable accounting standards.

As modified opinions or modified conclusions were often related to the issue of the entity's ability to continue

as a going concern, particular attention was paid to financial statements of issuers prepared on a going concern basis which indicated material uncertainties as to events or circumstances which may cast significant doubt upon the entity's ability to continue as a going concern, as well as the financial statements made with the assumption that the entity would not continue as a going concern.

Table 2. Number of issuers with a modified opinion in the audit report or a modified conclusion in the review report for reporting periods from 2020 to the first half of 2022.

Reporting period	Year 2020	First half of 2021	Year 2021	First half of 2022
Qualified opinions or conclusions	18	10	13	15
Disclaimers of opinion / report	6	7	10	11
Adverse opinions or conclusions	0	0	0	0
TOTAL	24	17	23	26
Number of issuers*	425	425**	435	435**
Share of modified opinions/conclusions in the number of issuers	6%	4%**	5%	6%**

* Excluding closed-end investment funds and issuers for whom the Republic of Poland is a host state.

**the data on the number of issuers is from the end of the previous year

Source: UKNF

⁵ Giełda Papierów Wartościowych w Warszawie S.A.

⁶ BondSpot S.A.

Financial statements of issuers may be subject to unlimited scope examination or focused examination. For issuers reviewed only for compliance with

recommendations, a follow-up examination is carried out.

Unlimited scope examination – examination of the entire financial statements with the goal of identifying any cases of non-compliance with financial reporting regulations applicable to issuers.

Focused examination – examination limited to a scope concerning specific issues, the application of certain IFRSs (e.g. topics highlighted in ESMA’s European common enforcement priorities, examination of selected items or parts of financial statements).

Follow-up examination – review of subsequent financial statements exclusively for the necessary improvements, particularly when recommendations were submitted to the issuer.

Table 3. Number of issuers whose financial statements were subject to the periodic review in 2022, by type of examination

Type of examination	Number of issuers	% share
Unlimited scope examination	44	79
Focused examination	10	18
Follow-up examination	2	4
Total	56	100

Source: UKNF

The following figure shows selected areas of non-compliance resulting from the review of issuers’ financial statements carried out in 2022.

As regards the practical application of IFRSs, it is useful to take note of the

packages of decisions on the enforcement of financial information, made by the European national enforcers⁷ and published on the ESMA’s website⁸.

⁷ https://www.esma.europa.eu/sites/default/files/library/esma32-63-1224_26th_extract_of_eecs_decisions.pdf

⁸ <https://www.esma.europa.eu/>

Figure 1. Areas of non-compliance in relation to which recommendations were issued to issuers in 2022

Going concern, liquidity risk

- limited assessment of the going concern assumption despite a difficult financial situation
- improper disclosures on:
 - . main events and conditions indicating a threat to the ability to continue as a going concern
 - . description of the issuer's actions
 - . the judgements based on which the going concern assumption was adopted
- an incomplete/not very specific maturity analysis for financial liabilities
- failure to include a description of the liquidity risk management method

Impairment of non-financial assets

- determining the recoverable amount without taking into account factors specific to the asset being measured
- determining an impairment loss on fixed assets at 50% of the difference between the carrying amount and the liquidation value

Fair value measurement

- incorrect identification of the unit of account of a single asset
- disregarding, in the measurement, observable input data derived from organised trading
- lack of back testing, lack of review of the value estimation model based on data available so far
- failure to disclose:
 - . a description of measurement techniques and applicable input data
 - . changes in measurement techniques and reasons of such changes
 - . analysis of sensitivity of fair value measurement to changes in input data

Revenue and other issues under IFRS 15

- recognition of revenue based on conditions that occurred after the end of the reporting period
- presentation of assets as receivables despite the lack of unconditional enforceable right to consideration
- imprecise description of accounting principles (policy) regarding the time of revenue recognition

Measurement of financial instruments

- incorrect classification of financial assets
- measurement at amortised cost of investments in shares traded in an organised way in the NewConnect market
- failure to estimate and recognise expected credit losses on financial assets
- failure to recognise a financial liability constituting an object of a put option
- failure to consider modification of the terms of a financial instrument when determining expected credit losses
- failure to disclose relevant information on credit risk
- failure to disclose the effects of modification of the terms of a financial instrument

Assessment of the impact of the war on financial statements

- lack of estimation of the recoverable amount of shares held in subsidiaries located in the territory of Ukraine and Russia
- lack of assessment of the impairment loss on the assets owned by subsidiaries located in the territory of Russia and Ukraine

Consolidation

- including information about the exemption from the requirement on company consolidation without information on which entities the exemption applies to and without indicating the reasons of such exemption

Selected aspects of presentation and disclosures

- overly aggregated disclosures on:
 - . revenue
 - . material assumptions, input data used in impairment tests of non-financial assets
 - . material assumptions, input data used in the measurement of financial instruments
- inappropriate designation of items in financial statements
- failure to provide (in notes) comparative information in relation to the previous period
- failure to disclose information about dependence on main customers
- failure to disclose information about transactions with related parties
- failure to disclose information about ultimate entities
- lack of reconciliation of equity and total comprehensive income in relation to the first application of IAS
- inadequate disclosures on the impact of losing control of subsidiaries and deconsolidation

Other matters

- failure to make specific disclosures to support the recognition of deferred income tax assets
- inadequate disclosures on components of completed and incomplete development activities
- failure to include information relating to the sensitivity to lessee's interest rate risk
- failure to provide information about the effects of outcomes of tax proceedings
- failure to disclose an updated estimation of financial effects of the adopted incentive scheme

Source: UKNF, based on an analysis

The important areas in which enforcement actions were taken in 2022 were: going concern, accounting of financial instruments, fair value measurement, and presentation of financial statements.

Enforcement actions

During the reviews of financial statements, if there is any doubt about the correct application of the IFRS standards or suspected deviation from application thereof, the issuer (management board/supervisory board) or au-

In previous year, the actions focused on topics related to going concern and liquidity risk, impairment of non-financial assets, and measurement of financial instruments.

dit firm are asked for clarification, pursuant to **Article 68(1) and (2) of the Act on public offering**⁹.

Pursuant to **Article 68(5) of the Act on public offering**, recommendations are issued to an issuer to put an end to any breach of information requirements. The purpose of a recommendation is

**Communication
with the issuer
and recommen-
dations**

⁹ Act of 29 July 2005 on public offering, conditions governing the introduction of

financial instruments to organised trading, and public companies (consolidated text: Journal of Laws 2022, item 2554).

to enable the issuer to eliminate non-compliance as soon as possible by amending the relevant financial statements, and to ensure that the users of

financial statements have access to correct and complete information. The implementation of recommendations is monitored.

In 2022, **recommendations** on financial reporting were issued to **27 issuers**, of which:

- 7 recommendations concerned recognition/measurement and resulted in an amendment to the annual or interim financial statements,
- 9 recommendations concerned recognition/measurement and applied to future annual or interim financial statements,
- 10 recommendations concerned the inclusion of disclosures in future annual or interim financial statements.

The cases of non-compliance resulting in the issuance of recommendations most often related to: presentation of financial statements and disclosures (IAS 1, IAS 8), measurement and disclosures in relation to financial instruments (IFRS 9, IFRS 7, IAS 32, IAS 39), fair value measurement and required disclosures (IFRS 13), revenue from contract with customers and other matters under IFRS 15.

3 Review of non-financial information and enforcement actions

The public-interest entities (PIEs)¹⁰, including issuers whose transferable securities are admitted to trading on one of the EEA regulated markets, that exceed over two consecutive financial years the limit on an average number of employees during the financial year and at least one of the financial thresholds indicated in Article 49b of the Accounting Act¹¹ must include, as a separate part of their management report, a non-financial statement or

prepare a separate non-financial report. Appropriate reporting criteria and requirements for PIEs being a parent of a large group of companies are laid down in Article 55 of the Accounting Act.

Starting from 2022, any undertaking which is required to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU¹² shall include in its non-

Non-financial reporting: legal framework

¹⁰ 'PIEs' should be understood as entities referred to in Article 3(1e) points 1–6 of the Accounting Act.

¹¹ Accounting Act of 29 September 1994 (consolidated text: Journal of Laws 2021, item 217, as amended).

¹² Directive 2013/34/EU of the European Parliament and of the Council of 26 June

2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

financial statement or consolidated non-financial statement, relevant quantitative and qualitative information as indicated in Article 8 of the Taxonomy Regulation¹³, i.e. taxonomy-related disclosures.

The reviews carried out in 2022 for a selected sample of non-financial information for 9 issuers covered the matters indicated in the ESMA Public Statement on European common enforcement priorities for 2021¹⁴. The reviews verified, in particular, whether the non-financial statements or non-financial reports included disclosures:

- on the impact of the COVID-19 pandemic,
- on the policies related to the impact of the issuer’s operations on climate change and *vice versa*,
- required under Article 8 of the Taxonomy Regulation.

Moreover, based on a selected sample of issuers’ statements and declarations focused examinations were performed in relation to the consistency of the disclosures made by issuers and auditors about the method of performing the obligation to prepare a

non-financial statement or a separate report on non-financial information. The results of the examination show discrepancies between the opinions of issuers and auditors on the existence of the disclosure requirement for non-financial information. Some issuers do not provide information about the average number of full-time employees (one of the criteria). In general, issuers do not provide information on how they calculated the employment numbers (issuers do not use a single method). Nor do they indicate what non-financial information is subject to mandatory or voluntary reporting requirements. The lack of such information makes it difficult for financial institutions to use the data from public non-financial reports of issuers to calculate their own taxonomy-related disclosures. There were also cases where auditors reported in audit reports on financial statements that the issuer had disclosed mandatory non-financial information although in reality the annual reports did not confirm the existence of such reporting requirement at entity level or group level.

The disclosure requirements for non-financial information for 2021 applied to 138 issuers, including:

- 7 issuers in relation to entity-level reports only,
- 43 issuers in relation to group-level reports only,

¹³ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending

Regulation (EU) 2019/2088 (and related delegated acts, e.g. to Article 8 of the Taxonomy Regulation).

¹⁴https://www.knf.gov.pl/knf/pl/komponenty/img/ESMA_WPN_2021_PL_76294.pdf

- 84 issuers in relation to both entity-level and group-level reports.
- A total of 134 non-financial disclosures for 2021 were made public by issuers, including:
- 57 statements,
 - 77 separate reports.

Four issuers benefited from the exemption from the obligation to make non-financial statements/reports pursuant to Article 49b(11) or Article 55(2e) of the Accounting Act. Non-financial information on those issuers or their groups has been included in non-financial statements or separate non-financial reports of their ultimate parent undertaking.

The non-financial statements/reports for 2021 were prepared in accordance with the following standards:

- GRI (Global Reporting Initiative) – 62 issuers,
- SIN (Non-financial Information Standard) – 26 issuers,
- own standards – other issuers.

In 2022, the enforcement of non-financial reporting involved a verification of a sample of reports published by an issuer whose securities were admitted to trading on a regulated market. **Recommendations** were addressed to **2 issuers** due to identified irregularities consisting in a failure to include in financial statements a description of material risks associated with the entity's business that affect or may affect environmental, social or corporate governance-related issues and in publishing a non-financial report in an inappropriate manner, i.e. publishing a separate non-financial report only on a website, without enclosing it to the annual report.

Non-financial reporting: enforcement actions

Taxonomy-related disclosures were also reviewed, based on a sample of issuers. The issuers presented various levels of quantitative and qualitative information. The descriptive/contextual information was often inadequate to assess the quantitative indicators

defining whether the economic activities, turnover, capital expenditures (CapEx) and operating expenditure (OpEx) are Taxonomy Eligible. Few issuers had decided to voluntarily publish additional indicators, which were not required in the transitional period 2022–2023.

**Good practices:
taxonomy-re-
lated disclosures**

The following should be considered a good practice in the field of taxonomy-related disclosures (recommended by the supervisory authority):

- indicating which quantitative information (Taxonomy KPI) and qualitative information (descriptions, contextual information) are voluntary and which are mandatory,
- providing a description of the methodology of the reviews or the issuer’s approach to the identification of economic activities (assets and processes) that are Taxonomy Eligible or Taxonomy Aligned and to the allocation of activities to the numerator and denominator of Taxonomy KPIs, including indication of the allocation keys used,
- presenting Taxonomy Eligible or Taxonomy Aligned economic activities together with a NACE code for each economic activity and by operating segments as disclosed in financial statements,
- indicating the numerator/denominator of a Taxonomy KPI reference to the related line items of the notes to financial statements and the reconciliations done,
- disclosing each category of CapEx, being components of the CapEx KPI.

4 Analysis of timeliness of publication and completeness of the issuers’ periodic reports, and enforcement actions

As of 31 December 2022, the requirement to publish periodic reports pursuant to Article 56(1) point 2 of the Act on public offering applied to **427 issuers** whose securities are admitted to trading on a regulated market, other than investment funds.

In addition, as of 31 December 2022, **301 issuers** that were parents of groups of companies were required to publish consolidated periodic reports.

In total, in 2022, more than **2 thousand periodic reports** were published by issuers.

In 2022, there were 43 identified cases of issuers’ failure to publish periodic reports, audit reports and review reports in a timely manner, which indicates an increase in such infringements as compared to the previous year. The infringements concerned a total of 22 issuers. Enforcement actions were undertaken in relation to those entities. Issuers should pay particular attention to the publication of complete periodic reports within the time limits specified in the Regulation

**Monitoring the
timeliness and
completeness of
periodic reports**

on current and periodic information¹⁵ as periodic reports are a key source of information for investors and make it

possible to assess the issuer's economic and financial standing, and compare that information with the situation of other issuers.

The enforcement actions undertaken in 2022 with regard to the timeliness of publication of the issuers' periodic reports included:

- **14 cases** of making a **request to the Warsaw Stock Exchange to suspend trading in securities** pursuant to Article 20 of the Act on trading in financial instruments¹⁶, in connection with a failure to publish periodic reports or a failure to include in the annual and half-yearly reports, as appropriate, the auditor's reports on the audit or review of financial statements, including:
 - 4 – lack of the report for 2021,
 - 2 – lack of the auditor's report on the audit of financial statements for 2021,
 - 3 – lack of report for the first half of 2022,
 - 3 – lack of the auditor's report on the review of financial statements for the first half of 2022,
 - 2 – lack of report for the third quarter of 2022,
- **29 cases** of maintaining the suspension of **trading in securities**, in connection with a failure to publish periodic reports or a failure to include in the annual and half-yearly reports, as appropriate, the auditor's report on the audit or review of financial statements, including:
 - 7 – lack of the report for 2021,
 - 6 – lack of report for the first half of 2022,
 - 7 – lack of report for the third quarter of 2022,
 - 9 – lack of report for the first quarter of 2022,
- **14 recommendations** were issued to issuers due to their failure to publish periodic reports or the auditor's report on the audit or review of financial statements in a timely manner.

¹⁵ Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be

recognised as equivalent (Journal of Laws 2018, item 757).

¹⁶ Act of 29 July 2005 on trading in financial instruments (consolidated text: Journal of Laws 2022, item 1500, as amended).

As part of the monitoring of completeness of periodic reports, special attention was paid to the compliance by issuers with the provisions of the Regulation on current and periodic information in relation to the inclusion of

information required for each type of periodic report, in accordance with Chapter 4 'Periodic reports' of that Regulation.

As part of the enforcement actions undertaken in 2022 in relation to the enforcement of completeness of issuers' periodic reports, **25 recommendations** were issued to issuers pursuant to Article 68(5) of the Act on public offering, among others to supplement or correct periodic reports. The above recommendations were issued due to the identification of, among others, the following irregularities:

- failure to enclose the issuer's management or directors' report, or providing incomplete information in the report,
- failure to provide the position of the management board or supervisory board in relation to the auditor's opinion (conclusion) in the qualified audit report (review report), adverse opinion (conclusion) or disclaimer of opinion (conclusion),
- failure to provide the management board's statement on the truthfulness and accuracy of data included in the financial statements, or providing an incomplete statement,
- publishing a periodic report in a wrong format or without the file with signatures,
- failure to enclose an opinion of the Regional Chamber of Audit to the budget execution report (for issuers being local government units).

5 Review of issuers' inside information and enforcement actions

As of 31 December 2022, the requirement to publish inside information applied to **492 issuers** whose securities are admitted to trading on a regulated market (national and foreign issuers of shares, issuers of covered bonds, local

government units, issuers of investment certificates, and issuers of bonds) and **456 issuers** whose securities are admitted to an alternative trading system (issuers of shares and bonds).

Monitoring inside information

As regards the issuers whose securities are admitted to an alternative trading system, the direct supervision of inside information, in accordance with **Article 68b(1) of the Act on public offering**, is carried out by the organisers of an alternative trading system (i.e. Warsaw Stock Exchange and BondSpot). To that end, the KNF cooperates with those organisers and intervenes when an ATS organiser has difficulty in obtaining explanations from issuers or identifies a material breach of obligations concerning inside information.

On 13 June 2022, the UKNF published a reminder that new *ESMA's MAR Guidelines on delay in the disclosure of inside information and interactions with prudential supervision* would apply as of 13 June 2022, outlining key amendments to the previous version of the document¹⁷.

Following the outbreak of war in Ukraine and its negative consequences for businesses, as part of the monitoring of inside information subject to publication, in 2022 attention was paid to the immediate disclosure,

by issuers, of the impact of the political and economic situation in Ukraine on the issuer's or their group's activities or their financial performance over the next periods, in accordance with their obligations under the Regulation on market abuse (MAR)¹⁸. While there has been good quality of the provided reports, some issuers still take a cavalier approach to the scope of information presented in reports with inside information. Enforcement actions have revealed reports which do not provide investors with the knowledge necessary to fully assess the relevance of the presented information. Further attention should also be paid to ensuring the timely submission, by issuers, of inside information created during protracted processes and to making sure that only information which meets the criteria of inside information is published, pursuant to Article 17(1) of MAR, through the Electronic Information Transfer System (ESPI). In the further part of the report (cf. Part 6.3), we point to selected topics related to the above areas.

In 2022, as part of the enforcement of issuers' inside information, **17 recommendations** were made to stop infringements of information disclosure obligations, including the following irregularities¹⁹:

¹⁷ https://www.knf.gov.pl/dla_rynku/informacje_dla_podmiotow_nadzorowanych/mar/Wytyczne_ESMA?articleId=49352&p_id=18

¹⁸ Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the

European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

¹⁹ The presented irregularities refer to specific facts. Deficiencies in other reports, similar to the ones presented here, will not always mean that disclosure requirements have not been met.

- failure to use due care when assessing whether new information created in the company meets the definition of inside information provided in Article 7(1) of MAR,
- failure to prepare reports containing inside information so as to enable market participants to assess the information in a precise and unambiguous manner in terms of its impact on the company's or group's business and financial position,
- presenting information in the reports which is insufficiently specific and detailed for investors to assess the described events for their impact on the company's operations (failure to indicate the moment when inside information was created, failure to provide information which justifies why the company had taken a certain action),
- presenting Alternative Performance Measures (APM) in reports with inside information in a manner which is inconsistent with ESMA's guidelines,
- providing, under Article 17(1) of MAR, information which fails to meet the criteria of inside information,
- failure to provide inside information immediately after becoming aware of or identifying such information.

European common enforcement priorities

The purpose of the enforcement actions taken in that respect was to ensure that inside information was made public by issuers in a manner which al-

lows investors to access such information quickly and make a full, proper and timely assessment of such information.

6 Selected reporting areas that require issuers' attention

6.1 Financial reporting

Based on the conclusions from the 2022 review and revision of the measures taken, here follow important matters that require attention when preparing financial statements

for and after the financial year 2022. They include the IFRS requirements covered by ESMA's most recent European common enforcement priorities²⁰.

²⁰ https://www.knf.gov.pl/o_nas/wspolpraca_miedzynarodowa/unia/ESNF/aktualnosci?articleId=80195&p_id=18

ESMA's European common enforcement priorities are published in relation to annual financial reports for 2022 and focus on topics related to:

- climate risk and its impact on the application of certain IFRSs,
- the impact of Russia's invasion of Ukraine,
- the effects of the current macro-economic environment.

Please note that most of the matters addressed in the ESMA's *Public Statement*:²¹ *Implications of Russia's invasion of Ukraine on half-yearly financial*

reports relates also to annual financial statements.

6.1.1 Climate-related matters and their impact on financial reporting

Climate-related matters should be included in financial statements to the extent their effects are material for them. It is important to include information on how climate-related matters affect the business model, cash flows, financial position and financial performance (cf. paragraph **112(c) of IAS 1 Presentation of Financial Statements**), in particular in the case of issuers in sectors most affected by the impact of climate change, such as fossil fuel extraction and processing, energy and automotive industries. Useful information includes specific, detailed and precise disclosures in regard to, e.g.:

- *non-financial assets* (**paragraphs 125–133 of IAS 1, paragraph 134 of IAS 36 Impairment of Assets, paragraphs 73 and 76 of IAS 16 Prop-**

erty, Plant and Equipment, paragraphs 118 and 121 of IAS 38 Intangible Assets), including on:

- assumptions and estimates used to assess the impact of climate change, e.g. in the estimates of future cash flows, when testing an asset, including prices of CO₂ and crude oil, natural gas, coal, used to forecast costs,
- the estimated useful life of assets, in particular the assets used in the exploration and production of fossil fuels or the assets used to make high-emitting products,
- *recognition of provisions* related to environmental remediation and rehabilitation, particularly where the term in which such rehabilitation should be done is shorter or where actions should be taken to restore

Inclusion of climate risks in impairment of non-financial assets

²¹*Public Statement: Implications of Russia's invasion of Ukraine on half-yearly financial reports* (ESMA32-63-1277), dated 13 May 2022,

https://www.knf.gov.pl/o_nas/wspolpraca_miedzynarodowa/unia/ESNF/aktualnosci?articleId=78201&p_id=18

the condition existing prior to the business (cf. **paragraphs 14–83 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets**), or disclosures on contingent liabilities in relation to possible court proceedings in the context of climate (cf. **paragraphs 85–86 of IAS 37**),

- *uncertainty*:
 - related to any type of estimates, e.g. projected estimates, e.g. uncertainties reflected in the scenario analysis, future cash flow forecast, or discount rates (cf. **paragraphs 125–133 of IAS 1**),
 - judgements and assumptions (cf. **paragraphs 122–124 of IAS 1**).

If an entity, particularly in a sector highly exposed to climate risk, concludes that climate-related matters will not have a material impact on its business or individual items of its financial statements, then the entity should disclose the assessments and judgements that have led it to such conclusion – preferably together with the time horizon adopted for the assessment (cf. **paragraph 125 of IAS 1**).

IAS 1 requires the disclosure of additional information, including on climate-related matters, which are not expressly required under IFRSs and they are not presented elsewhere in the financial statements.

It is important that issuers ensure consistency of climate-related information included in financial statements with information included in non-financial reports.

Climate factors as sources of estimation uncertainty or reasons of material judgements

6.1.2 Effects of Russia’s invasion of Ukraine

In the face of Russia’s invasion of Ukraine, when preparing financial statements for 2022, issuers should monitor and assess the impact of the war on their financial position, financial performance and cash flows and consider that impact properly, including with regard to:

- *the assessment of the ability to continue as a going concern* (cf. **paragraphs 25–26 of IAS 1**) and *liquidity risk* (cf. **paragraphs 39, 31–35 and B10A–B11F of IFRS 7 Financial Instruments: Disclosures**). The war in Ukraine may significantly disrupt business activities of issuers having plants, investments or debtors in regions affected by acts of war. It is necessary to assess

whether the disruptions might continue, causing also material problems with liquidity.

Financial statements should include the following important information:

- type and impact of identified uncertainties as to the ability to continue as a going concern (cf. **paragraph 25 of IAS 1**),
- the judgements made by management and the occurrence of material uncertainty (cf. **paragraph 122 of IAS 1**),
- information on the manner of managing liquidity risk and maturity analysis of financial liabilities (cf. **paragraphs 39, 31–35 and B10A–B11F of IFRS 7**),

Assessment of the going concern assumption considering the impact of the war in Ukraine

- *impairment of non-financial assets*
Changes such as: increase in costs, disruptions of business caused by difficulties in the provision of energy-producing raw materials, new economic sanctions, restrictions on business activities, disruptions in supply chains, may cause impairment of the assets held.

If there are any indications that an asset may be impaired, they should be considered during the annual review of the useful life, the applied depreciation method and the estimated final value of the asset.

It is important, particularly for sectors involving the trade of energy and fuels and industrial processing, to include information on e.g.:

- the key assumptions used in impairment tests (cf. **paragraph 134(d) point (i) and (f) of IAS 36**),
- sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the carrying amounts within the next financial year (cf. **paragraph 125 of IAS 1**);

- significant judgements (**paragraph 122 of IAS 1**),
 - the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation (cf. **paragraph 129 of IAS 1**).
- *remeasurement of expected credit losses*, in particular for the purpose of inclusion of forward-looking information (cf. **paragraph B5.5.52 of IFRS 9 Financial Instruments**);
- The ongoing war may affect some debtors' ability to meet obligations, and the available historical data will not be able to reflect a sudden, unexpected deterioration of their financial standing.
- *classification and presentation of non-current assets and groups as held-for-sale and discontinued operations*.

As regards some operations or non-financial assets affected by war, issuers may also decide to discontinue those operations or sale (cf. **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**).

6.1.3 Risks and effects of current macro-economic conditions

When preparing their financial statements, issuers should: (1) assess the impact of current macro-economic trends and related uncertainties, including the ability to continue as a going concern (cf. **paragraphs 25–26 and 125 of IAS 1**) and (2) reflect those issues in financial reporting. This applies in particular to the area of:

- *non-financial assets*

It is important that issuers, especially those engaging in a business highly exposed to price volatility in energy/fuel industries, include clear and detailed disclosures on how the variability of such macro-

economic data has been considered in e.g.:

- the key assumptions used in impairment tests, for example in future cash flows, revenue growth rates or WACC²² (cf. **paragraph 134(d)(i), (f) of IAS 36, paragraph 17(c) of IAS 1**),
 - sensitivity analysis (cf. **paragraph 134(f) of IAS 36, paragraph 129 of IAS 1**).
- *financial instruments* – material information includes disclosures on the impact of macro-economic changes on:
- change in issuers' exposure to risks: interest rate risk, market risk, liquidity risk, and sensitivity analysis of those risks, with a description of methodologies applied, input data, assumptions and changes in relation to the previous period (cf. **paragraphs 31–42 and B11B of IFRS 7**),
 - change in credit risk when measuring expected credit losses (cf. **paragraph 35B of IFRS 7**).

Another important issue is proper assessment in terms of reclassification of financial assets following a change in the business model (cf. **paragraph B4.4.1. of IFRS 9**). Such reclassification should be very infrequent and subject to fulfilment of the requirements under **paragraph B4.4.1 of IFRS 9**.

Changes in intention related to particular financial assets do not result in reclassification of instruments (cf. **paragraph B4.4.3(a) of IFRS 9**).

- *revenue from contracts with customers* – with regard to, *inter alia*:
 - recoverability of costs incurred, e.g. additional costs of energy, growing prices of raw materials, salaries (cf. **paragraph 95(c) of IFRS 15 Revenue from Contracts with Customers**),
 - a change in the estimated variable consideration (cf. **paragraphs 85–86 of IFRS 15**) or transaction price (cf. **paragraphs 87–90 of IFRS 15**) – e.g. in some cases due to inflation, it may be necessary to allocate the amount of the increase in the estimated transaction price to all performance obligations under a contract.
- *onerous contracts* – the inability to raise prices under existing contracts may result in a loss or a decrease in expected return on those transactions. Issuers should analyse potential accounting effects of a decrease in return on those contracts, e.g. consider recognition of provisions for onerous contracts (cf. IAS 37). In such cases, it is necessary to include disclosures in accordance with **paragraphs 84–85 of IAS 37**.

²² weighted average cost of capital

6.1.4 Events after the reporting period

In recent years, European businesses have had to face the consequences of two major events that were difficult to predict: the pandemic and the outbreak of war between Russia and Ukraine. The consequences of 'black swans' may be both direct – such as low availability of workers or actual destruction of property – and indirect – e.g. public authorities' responses in the form of sanitary or economic restrictions. Such events occur, obviously, regardless of the issuers' reporting cycle – including in periods between the end of the reporting period and the publication of a financial statement.

It should be noted that if any sudden unexpected events take place after the balance sheet date and they indicate the occurrence of certain circumstances after the end of the reporting

period, those are usually non-adjusting events within the meaning of financial reporting (cf. **IAS 10**). Wartime damage, imposition of sanctions, or introduction of sanitary restrictions do not provide evidence of the condition of property, performance or cash flows at the balance sheet date preceding the occurrence of those circumstances. Such events will affect next financial statements. They are not considered when recognising or measuring items in the current financial statements but, if such events are material, they require relevant disclosures (cf. **paragraph 21 of IAS 10**).

We would also like to point to an exception provided for in IAS 10, which requires that events occurring after the balance sheet date should also be considered when assessing the going concern assumption (cf. **paragraphs 14–16 of IAS 10**).

6.1.5 Specific aspects of determining and assessing materiality in IFRS financial statements

Accounting standards provides for detailed requirements on a wide range of topics. Not all topics, however, are relevant to financial statements and issuers apply certain simplifications, referring to the concept of materiality (cf. **paragraph 7 of IAS 1, paragraphs 29 et seq. of IAS 1**), which is often considered in terms of quantitative impact on the statements.

In order to ascertain lack of materiality, the issuer should estimate the impact of the given matter on financial statements so that they can present a hypothetical effect of considering the given event. For example, an issuer

who is not consolidating one of their subsidiaries is expected to be able to present at least the estimated effects of considering that subsidiary in financial statements of the group. Similarly, certain aspects of the recognition and measurement of expected credit losses may be immaterial in a financial year but should be estimated to allow the assessment of materiality.

It is necessary to **monitor the matters** that have been considered immaterial in the past. Even if a matter has been assessed and found to be immaterial in previous periods, there may since

then have been events or circumstances which render the matter material: acquisition of significant assets by a subsidiary, an increase in credit risk associated with financial assets, for example, due to financial problems of debtors, or unexpected economic events in the market.

Regardless of the discussion on the quantitative aspect of materiality, **information should be assessed in qualitative terms**. Some areas may be relevant to users of financial statements, even if the presented figures are relatively low in relation to the basic value in the financial statement.

This can be exemplified by relations and transactions with related parties (cf. **paragraph 18 of IAS 24 Related Party Disclosures**). Users of financial statements should have a good understanding of capital, personal and other

ties between those entities, and of the nature and terms of the transactions executed between them. For example, a fair assessment of an entity's operations, property and financial position based on information about the level of revenue and performance, without information about the mutual relations and transactions between entities, can be very difficult.

Assessment of materiality may also be affected by the sector in which the issuer operates, for example, it is appropriate to expect disclosures on climate risks from issuers operating in sectors that are sensitive to such risks, even if the quantitative effects indicated in an issuer's financial statements do not include high amounts.

Qualitative aspect in the assessment of materiality

6.1.6 Neutrality and prudence as defined in the IAS

Fair presentation of financial statements requires faithful representation (cf. **paragraph 15 of IAS 1**), and that in turn requires neutrality (**paragraph 2.13 Conceptual Framework for Financial Reporting**), whereas neutrality requires prudence (**paragraph 2.16 of the Conceptual Framework**). As regards financial reporting, prudence manifests itself both in the process of recognition and measurement of components of financial statements and in the process of presentation and disclosure of information. In the Conceptual Framework, prudence means **the exercise of caution when making judgements under conditions of uncertainty**. Such understanding of prudence in measurement is compatible with neutrality of financial statements

and it does not mean conservatism or any restrictive approach to recognition or measurement of each item. Both underestimating and overestimating the items' values conflicts with the principle of prudence, thus fairness.

Sometimes, in practice, entities preparing financial statements limit the application of the principle of prudence to ensuring that the disclosed assets and revenue are not overestimated and that liabilities and costs are not underestimated. This is understandable as an entity's management may usually be tempted to and interested in presenting the highest performance and value of equity, while hiding the costs and debts. However, the principle of prudence also excludes

unjustified manipulation of values in the other direction.

We would like to emphasise that recognising a write-off of a total value of an asset ('to zero') based on general requirements, without making judgments or estimates goes against the principle of prudence as defined in the IAS. Such situation could take place, for example, in:

- determining the recoverable amount of non-financial assets under IAS 36 without conducting impairment tests,
- underestimating the fair value of assets by determining the fair value without making an estimate or by using measurement techniques that disregard available observable data. In accordance with

paragraph 61 of IFRS 13 Fair Value Measurement, when determining the fair value the entity should apply techniques that are appropriate for circumstances, primarily observable input data and, to a minimum extent, non-observable data. Additionally, **paragraphs 76–90 of IFRS 13** have established a hierarchy of fair value in which the highest priority is given to prices quoted (unadjusted) in active markets and the lowest priority is given to non-observable input data.

- determining the amount of an allowance for expected credit losses corresponding to the total value of financial instruments, instead of measuring it under IFRS 9.

6.1.7 Crypto-currencies

In the face of growing presence and popularity of crypto-currencies in business dealings, we point out that issuers holding such assets are required to disclose relevant information about the impact of such assets on their financial position (cf. **paragraph 112(c) of IAS 1**).

Depending on the intended purpose of crypto-currencies, they are recognised in accordance with applicable standards. As a rule, crypto-currencies as intangible assets are subject to the requirements under IAS 38, which also provides for the relevant disclosures (cf. **paragraphs 118–128 of IAS 38**). However, where such assets are held for sale in the ordinary course of business, they are recognised as normal

inventory, and the relevant information must be disclosed in accordance with **paragraphs 36–39 of IAS 2**.

Due to the specific nature of the crypto-currency market, i.e. the observable price fluctuations, also the recoverable net amount of an asset should be estimated at the end of each reporting period (cf. **paragraph 7 of IAS 2**), and if the asset is measured at fair value the issuer must make disclosures in accordance with **paragraphs 91–99 of IFRS 13**.

To ensure that financial statements contain complete information, it is also necessary to consider the requirements under the other IASs/IFRSs. Due to the specific nature of the crypto-currency market, the actual

Crypto-currencies in financial statements

impact of crypto-currencies on the issuer's financial position can be better understood with disclosures on judgments that have the most significant effect on the value of crypto-currencies (cf. **paragraph 122 of IAS 1**).

Please note that crypto-currencies do not meet the definition of cash due to a series of their characteristics (cf. **paragraph AG3 of IAS 32**). First of all, they are not the basis for measurement and recognition of all transactions in financial statements. They occur only in electronic form and they lack physical substance in the form of banknotes or coins. Neither can crypto-currencies be easily recognised as cash

equivalents, due to the existing significant risk of changes in value (cf. **paragraph 6 of IAS 7**).

Crypto-currencies are assets whose value is highly volatile. Major changes can be seen in their market valuation, including over a short term. This is why in some cases it is necessary to consider whether the changes in the crypto-currencies' fair value after the end of the reporting period have a significant effect on the issuer's financial position and, if necessary, to disclose the effect of such changes in accordance with **paragraph 21 of IAS 10**.

Crypto-currencies do not meet the definition of cash

6.1.8 European Single Electronic Format – ESEF

In accordance with the regulatory technical standards on the specification of a single electronic reporting format (RTS on ESEF)²³, the preparation of annual reports and consolidated annual reports for 2021 by issuers whose securities had a quoted market price in a regulated market required the use of the ESEF electronic reporting format²⁴ for the first time.

Under the RTS on ESEF, annual reports and consolidated annual reports for 2021 had to be prepared in the XHTML format, supported by a web browser. The **RTS on ESEF** also requires that the main parts of consolidated financial statements prepared as part of consolidated annual reports should be

tagged using ESEF taxonomy²⁵. However starting from consolidated financial statements for financial years beginning on or after 1 January 2022, **tagging of the notes** using the 'block tagging' standard will be required.

The conclusion and observations collected during the review of ESEF annual reports for 2021 indicate several most problematic aspects related to the application of the new format.

It should be noted that an extension taxonomy element can only be created after making sure that the element does not exist in the core taxonomy. Performing only a perfunctory

Priority of application of the core taxonomy

²³ Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: RTS on ESEF).

²⁴ European Single Electronic Format.

²⁵ A statement of financial position (balance sheet), a statement of profit or loss and other comprehensive income (income statement, profit and loss account), a statement of cash flows, a statement of changes in equity.

analysis of the existing taxonomy elements may result in **unnecessary extension elements being created**.

Please also note that in accordance with **point 9 of Annex IV to the RTS on ESEF**, an extension taxonomy element should be anchored to the core taxonomy element having the closest wider accounting meaning and/or scope to that extension taxonomy element. The issuer may also anchor the extension taxonomy element to the core taxonomy element having the closest narrower accounting meaning and/or scope to that extension taxonomy element. In such case, apart from the voluntary anchoring to a narrower taxonomy element, the newly created extension has to be mandatorily anchored to a wider taxonomy element.

As a reminder, a zip package with consolidated financial statements published as part of a consolidated annual report should have an **appropriate internal file structure**. Failure to follow the applicable rules on file structure inside the package would lead to errors that usually prevented the successful upload and validation of the report.

Please also be advised that starting from consolidated financial statements for financial years beginning on or after 1 January 2022, issuers are required to **tag the notes using the 'block tagging' standard**. As part of that requirement, issuers should tag the notes at least using the taxonomy elements provided in **Annex II to the RTS on ESEF**. In line with Guideline 1.9.1 of the ESEF Reporting Manual, in the case of a disclosure corresponding to more than one taxonomy element of different granularity (lower and higher), the issuer should use each of them and multi tag the information to the extent that corresponds with the underlying accounting meaning of the information. We would also like to point out that this approach is different from the approach used when tagging the main parts of consolidated financial statements, where each item is tagged only with taxonomy elements having the closest meaning. We encourage all issuers to become familiar with the detailed guidelines on block tagging laid down in **Chapter 1.9 of the ESEF Reporting Manual**.

Anchoring extension elements

File structure inside a zip package

6.2 Non-financial reporting

ESMA's European common enforcement priorities for 2022 annual financial reports in the area of non-financial information point in particular to topics related to:

- climate-related matters, including transition plans and climate-related targets as part of such plans,
- disclosures under Article 8 of the Taxonomy Regulation in relation to the issuer's economic activities that are Taxonomy Eligible and Taxonomy Aligned,
- non-financial reporting scope and data quality.

The European Union has adopted the European Green Deal to transition to a more sustainable economic and financial system. In consequence, in the coming years detailed reporting requirements on climate change will become applicable under the Corporate Sustainability Reporting Directive (CSRD)²⁶ and the European Sustainability Reporting Standards (ESRS). For these reasons, in applying the requirements of the Non-Financial Reporting Directive (NFRD)²⁷, issuers should be mindful that the general expectation from both users and regulators is in the direction of increased transparency on climate-related matters.

One particularly important disclosure area related to climate is represented by **transition plans** which help users understand whether and how an issuer intends to shift its business

model, operations and asset base towards a trajectory that is compatible with the latest climate science recommendations. Increased transparency of disclosures is needed when issuers prepare transition plans, as some issuers tend to present ambitious goals without addressing how these goals were established / under which scenario they are developed and how the issuer concretely intends to reach them. Issuers should provide specific disclosure covering, for example, the reference scenario used, the means the issuer will use to accomplish its transition plan (e.g. changing its supply chains and/or asset base), how many resources it will allocate to this and the challenges it may face in reaching its goals. In this regard, issuers should consider the **European**

Climate-related disclosures, including on transition plans

²⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464&from=EN>

²⁷ <https://eur-lex.europa.eu/legal-content/PL/TXT/?uri=celex%3A32014L0095>

Commission’s Guidelines on reporting climate-related information, section 3.1.²⁸

In the context of transition plans, issuers should be balanced and precise in their disclosure on carbon neutrality commitments. In such disclosures, issuers should avoid making boilerplate claims and should instead provide concrete explanations of how they intend to contribute to carbon neutrality.

This may include disclosures on the reduction of their own greenhouse gas (GHG) emissions, or on increasing carbon sinks.

Climate-related key performance indicators (KPIs) are an important way for issuers to give users a clear understanding of their past performance and future ambition. A particularly relevant topic is the disclosure issuers provide in relation to their GHG emissions.

A true and fair view requires issuers to be balanced in their disclosure of GHG emission reduction targets and to explain how likely it is that those targets will be achieved. As required by **Article 19a(1) and Article 29a(1) of the Accounting Directive (added in the NFRD)**, issuers should explain why they have been unable to make the expected progress towards their targets.

It is important that when issuers address one sustainability matter, they do not omit material information on the other matters referred to in the

NFRD. This might be the case, for example, if an issuer would leave out material information on expected negative impacts on other sustainability matters arising from the measures they have taken, or plan to take, to reduce their GHG emissions. Issuers should disclose material conflicts among different environmental objectives to the extent this is necessary to enable a proper understanding of the impact of its activity, as required by **Article 19a(1) or Article 29a(1) of the Accounting Directive (added in the NFRD)**.

In relation to metrics for actual emissions (backward-looking disclosure), issuers should be mindful that **Article 19a(1)(e) and Article 29a(1)(e) of the Accounting Directive (added in the NFRD)** require transparency on the metrics used. Issuers should, in particular:

- clearly explain the boundaries they use,
- provide justifications if certain Scope 3 elements are excluded from the calculation, and
- mention any uncertainties connected with their data.

Helpful guidance on climate-related disclosures can be found in the European Commission’s Guidelines on reporting climate-related information, **in Section 3.5**. If issuers engage in material scope 3 emissions but do not disclose them, they should state the reasons why.

Some issuers may conclude that Russia’s invasion of Ukraine will affect

²⁸ European Commission, Guidelines on reporting climate-related information, 17 June

2019. [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XC0620\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XC0620(01)&from=EN)

their ability to meet the targets, especially in terms of greenhouse gas emission and transition plans (due to issues such as disruptions in the supply of natural gas and thus transition to other, more-emission intense, energy sources). In accordance with **Article 19a(1) and Article 29a(1) of the Accounting Directive (added in the NFRD)**, issuers should be clear about whether those issues have affected their transition plans and, if so, state the reasons why they were unable to pursue their transition plans in 2022.

The double materiality perspective is a key pillar of the NFRD. Therefore, issuers should keep enhancing their descriptions of how they have identified the material impacts, risks and opportunities connected with climate change for their undertaking.

2023 is an important year for the reporting under **Article 8 of the Taxonomy Regulation**, as it is the first time non-financial undertakings are required to disclose not only the taxonomy eligibility, but also the taxonomy alignment, of their economic activities vis-à-vis the climate change mitigation and climate change adaptation objectives, including the disclosures foreseen in the complementary climate

delegated act (Commission Delegated Regulation (EU) 2022/1214²⁹)³⁰.

Issuers should remember that it is mandatory to use the templates in Annex II to the Article 8 Disclosure Delegated Act³¹.

The disclosure required under the Article 8 Disclosure Delegated Act is not subject to the materiality assessment and should always be provided (except where the materiality exemption relating to OpEx for non-financial undertakings applies)³². Issuers should also remember that it is mandatory to provide accompanying contextual information. They are required to provide robust disclosure, such as: the description of the nature of their economic activities, whether they are Taxonomy Eligible and Taxonomy Aligned, and how compliance with the alignment criteria has been assessed (**Article 8 Disclosure Delegated Act, Annex I, Section 1.2.2.1**). So far, some issuers have tended to provide very generic disclosure in relation to whether their economic activities are Taxonomy Eligible. Provisions of Article 27(2)(b) of the Taxonomy Regulation require, starting from 1 January 2023, that the reporting under Article 8 address all **six environmental objec-**

Article 8 disclosures

Non-financial undertakings: reporting on alignment with climate change objectives

²⁹ Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

³⁰ ESMA notes that according to Article 27(2)(b) of the Taxonomy Regulation, starting from 1 January 2023, the reporting under Article 8 shall address

article 3(d) of the Taxonomy Regulation, an economic activity shall qualify as environmentally sustainable where it complies with technical screening criteria established by the European Commission. ESMA notes that at present, the technical screening criteria for the remaining four environmental objectives (i.e., points (c), (d), (e) and (f) of Article 9 of the Regulation on Taxonomy) are not established in EU law.

³¹ Commission Delegated Regulation (EU) 2021/2178.

³² cf. **Article 8 Disclosure Delegated Act, Section 1.1.3.2**, which requires specific disclosures in such cases.

all six environmental objectives listed in Article 9 of the Taxonomy Regulation. According to Ar-

tives listed in **Article 9 of that Regulation**. According to Article 3(d) of the Taxonomy Regulation, an economic activity shall qualify as environmentally sustainable where it complies with technical screening criteria established by the European Commission. Users need more information to understand issuers' assessment, regardless of the outcome of the assessment. This includes information on the assumptions issuers have made on the alignment criteria, including the principles on 'do no significant harm' and minimum social safeguards, notably in relation to assets and activities outside of the EU. The disclosure on methodological choices should include information on specific areas of judgement and the methodological principles that have been applied (e.g. how the issuers have avoided double counting). **Sections 1.2.1 and 1.2.3 of Annex I to the Article 8 Disclosure Delegated Act** require issuers to explain any large variations in the eligibility rate of their economic activities compared to the eligibility rate they disclosed in 2022. Reasons for such variations may, for example, be that the issuer commenced a new eligible activity or that it has fine-tuned its methodology for assessing eligibility. Equally, it is helpful for users to receive explanations for large differences between the eligibility rate and the alignment rate of an issuer's economic activities. Issuers should ensure consistency between the disclosure they provide in relation to Article 8 and disclosure elsewhere in the non-financial reporting (e.g. consistency

with the issuer's strategy and policies related to climate change). A number of resources are available to support issuers as they prepare their Article 8 reporting. The European Commission has issued two documents with guidance on frequently asked questions³³, and ESMA has issued two Q&As relating to ESG APMs³⁴.

Financial undertakings should be mindful of their upcoming obligation to disclose not only the taxonomy eligibility, but also the taxonomy alignment, of their economic activities in 2024. Issuers should adapt their systems to the increased reporting requirement.

To provide a comprehensive picture of the non-financial matters listed in Articles 19a(1) and 29a(1) of the Accounting Directive (added in the NFRD), an undertaking will have to report on at least the same scope as that used for its financial reporting. It should be noted that **Article 19a(1)(d) and Article 29a(1)(d) of the Accounting Directive (added in the NFRD)** require undertakings and/or groups to disclose information on risks linked to their own operations, including, where relevant and proportionate, those of their business relationships, products or services that are likely to cause adverse impacts – an approach that will be further reinforced in the future European Sustainability Reporting Standards.

Financial undertakings: preparedness for taxonomy alignment reporting in 2024

³³ European Commission, FAQ 1, December 2021; European Commission, FAQ 2, February 2022.

³⁴ ESMA, Questions and answers – ESMA Guidelines on APMs, 1 April 2022 (Questions 19 and 20).

With this in mind, issuers should consider reporting on a larger perimeter than that used for its financial reporting when this would be necessary to provide material information on non-financial matters. To this end, it is recommended that issuers describe their supply and sales chains (suppliers, subcontractors, distributors, franchisees) and clarify the extent to

which they have covered these entities in their non-financial reporting. Issuers may also consider identifying KPIs of particular significance for them and expanding their reporting perimeter to cover the value chain (or parts thereof) on those KPIs, if they have not done so previously.

Scope of the issuer's non-financial reporting (value chains)

6.3 Inside information

Based on the analyses of inside information submitted by issuers in 2022, we present the topics which require particular attention in 2023.

When preparing periodic reports for 2023, it is important that issuers assess the information being created for meeting the criteria of inside information. If an issuer identifies inside information, they should immediately make it public, without waiting for the publication of a relevant periodic report. For example, the need to identify and publish inside information may arise when issuers recognise impairment losses and/or create provisions.

In particular, issuers should pay attention to the information on preliminary financial results of the issuer or its group, which information is created when preparing periodic reports. Upon obtaining preliminary information on financial results, the issuer should assess that information for meeting the criteria of inside information referred to in **Article 7 of MAR**. When making the above assessment, the issuer should take into account in

particular the existing information policy and the information communicated to the market earlier, not only through ESPI but also through other channels (e.g. in press releases or on the issuer's website). If a given piece of information regarding preliminary financial results is considered as inside information, it should be immediately submitted by the issuer through ESPI. If it is not considered as inside information, it should be submitted via a different communication channel, e.g. by placing it on the issuer's website (Rule 1.2 of Best Practice for GPW Listed Companies³⁵).

Information created in the process of preparing periodic reports

It should be borne in mind that inside information may be created also at further intermediate steps in a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event. Such protracted processes may include the process of negotiations regarding an agreement which is material for the issuer, or the process of reviewing strategic options.

³⁵

https://www.gpw.pl/pub/GPW/pdf/Uch_13_1834_2021_DPSN2021.pdf

In the course of a protracted process, an issuer should carry out an appropriate information policy, assess information created in the course of actions taken at particular stages of that process, and if it identifies new inside information, it should immediately make it public. It should be borne in mind that disinformation, i.e. gaps in informing about material decisions and circumstances related to a given process, should be avoided. It is also worth mentioning that information on such events as breaking negotiations, refraining from choosing an option, or ceasing work on implementing a given option, including the reasons for making such decisions, should also be analysed in the context of the definition of inside information.

In order to ensure compliance with disclosure obligations resulting from MAR, **it is important that issuers assess not only information created within the company, but also in its environment, for meeting the criteria of inside information.** Such information may concern, e.g.: changes in legislation, changes in sanctions related to the war in Ukraine, situation in FX markets or in commodity markets. In particular in 2023, issuers should monitor the impact of the macro-economic situation in Poland and worldwide and the major geopolitical events on the economic activity of the issuer and its group, or on the financial results in future periods, and in the case of identification of inside information referred to in **Article 7 of MAR**, immediately submit a relevant report.

It should be borne in mind that pursuant to **Article 17(1) of MAR**, the issuer

shall ensure that the inside information is made public in a manner which enables fast access and complete, correct and timely assessment of the information by the public. If market participants raise a number of questions in response to an issuer's report, it means that the report may not have been correctly prepared in editorial terms or it failed to include sufficient explanation, and thus was not sufficiently precise.

It should be borne in mind that inside information should be formulated so as to leave as little room as possible for guesswork and speculation. A report with inside information should be specific and detailed enough to enable an investor to assess the impact of the events being described on the issuer's operations. In addition, the information submitted by issuers in reports should form a consistent whole and constitute a series of cause-and-effect events, and it is only when they are submitted in such a manner that we can expect them to provide investors with relevant knowledge and be properly used for making investment decisions.

Some issuers submit through ESPI inside information which give rise to doubts whether they really meet the criteria for inside information. It should be noted that **ESPI's public channel is not the issuer's promotional platform and may only be used for submitting information which the issuer is required to publish under law.** It should also be borne in mind that under Article 17(1) of MAR, the issuer must not combine the disclosure of inside information to the public with the marketing of its activities.

Information created in the environment of the issuer and its group

Quality of submitted inside information

Proper use of ESPI

7 Statements and guidelines published by ESMA and KNF in 2022

The table below contains a list of statements and guidelines published by ESMA and KNF in 2022 in relation to issuers' information requirements.

Document	Link
Questions and answers concerning MAR (Questions 5.11 and 5.12)	https://www.esma.europa.eu/sites/default/files/library/esma70-145-111_qa_on_mar.pdf
ESMA's Public Statement: European common enforcement priorities for 2022 annual financial reports	https://www.knf.gov.pl/knf/pl/komponenty/img/ESMA_WPN_2022_PL_80480.pdf
Communication from the UKNF on ESMA's Statement: MAR Guidelines on delay in the disclosure of inside information and interactions with prudential supervision	https://www.knf.gov.pl/knf/pl/komponenty/img/Komunikat_UKNF_dot_Stanowiska_ESMA_Wytoczne_dot_opoznienia_ujawnienia_informacji_poufnych_78597.pdf
MAR Guidelines on delay in the disclosure of inside information and interactions with prudential supervision	https://www.knf.gov.pl/knf/pl/komponenty/img/esma70-156-4966_mar_gls-delay_in_the_disclosure_of_inside_information_pl_78596.pdf
ESMA's Statement: Implications of Russia's invasion of Ukraine on half-yearly financial reports	https://www.knf.gov.pl/knf/pl/komponenty/img/esma32-63-1277_public_statement_on_half-yearly_financial_reports_in_relation_to_russias_invasion_of_ukraine_78200.pdf
Communication from the UKNF on issuers' information requirements in connection with the geopolitical situation in Ukraine	https://www.knf.gov.pl/komunikacja/komunikaty?articleId=77293&p_id=18
ESEF Reporting Manual	https://www.knf.gov.pl/knf/pl/komponenty/img/ESEF_Reporting%20Manual_2022_PL_79755.pdf
ESEF taxonomy files and Conformance Suite	https://www.knf.gov.pl/dla_ryнку/ESEF/pliki_taksonomii_i_testy_zgodnosci

8 Conclusion

The purpose of publication of current and periodic reports and inside information by security issuers is to provide the users (including investors, financing institutions) with information that is essential in making investment decisions.

Last years have been marked by extremely numerous political and economic events (the war, pandemic, higher inflation) and changes in legislation (on the ESEF, non-financial information) that may affect issuers' businesses. Recognising potential difficulties for issuers in reflecting the new events and legal changes in the reports they publish, we prepare this report each year. In the report, we draw issuers' attention to issues that are relevant for their disclosure requirements resulting from the changing factual and legal status and to our observations made during the recent year of supervision.

Information submitted by issuers should reflect the issuer's specific situation and circumstances as accurately as possible and include the most recent qualitative and quantitative data available to the entity. Up-to-date knowledge is especially important for issuers when preparing regulated information based on estimates and forecasts. The content of this report may make their reporting process easier. To this end, in this report we pointed to, among others, the aspects in which issuers should analyse the evolving circumstances related to the political and economic situation in Ukraine, as well as other factors which have their roots in political,

legal or climate risks but which do not directly result from an analysis of historical data may have a significant impact on forecasts and estimates. The recipients of information prepared by issuers in the upcoming periods should receive data which take the above-mentioned factors into account, and they should be able to learn from the issuer's reports about the impact of those factors on the presented data and its potential future volatility.

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